



FACULTY OF MANAGEMENT AND ADMINISTRATION

COURSE TITLE: MAC 206 – PUBLIC FINANCE

SEMESTER 1: FINAL EXAMINATION – NOV/DEC 2013

LECTURER: MR G MANDEWO

TIME: 3 HOURS

INSTRUCTIONS

Answer **All** questions in section A and any **TWO** questions in section B.
Total possible mark is **100**.

Start **each** question on a new page in your answer booklet.

The marks allocated to **each** question are shown at the end of the section.

Credit will be awarded for logical, systematic and neat presentations.

SECTION A (Answer All Questions in this Section)

1. (a) The new Zimbabwean Tax bill is diverging from the old tax law because tax will no longer be source based but rather resident based. Interpret this statement giving practical examples. **[5 marks]**
(b) Determine whether this statement is **TRUE/FALSE/UNCERTAIN**. Explain your response in detail
 - i. In order to pay for public spending, governments must either: use tax revenue; borrow; or print money. There are no other sources of finance. **[5 marks]**
 - ii. Working fewer hours to reduce your tax burden is tax avoidance. **[5 marks]**
 - iii. Public goods are underprovided because of the Free-Rider problem. **[5 marks]**
 - iv. If the demand for a good is elastic, efficiency requires that this good is taxed relatively heavily because buyers will escape this tax by switching to other goods. **[5 marks]**
- (c) Give economic justification for the existence of government. **[5 marks]**
(d) Cost-Benefit analysis is difficult to operationalise in government. Explain. **[5 marks]**
2. In an attempt to measure inequalities, Mr Matanda, a respected consultant from Lesotho presented the following statistics to the African Union Parliament.

Country	Gini Coefficient
North Korea	0.70
Mozambique	0.89
Russia	0.90
Eritrea	0.02

 - i. Illustrate the computation of each statistic and interpret **[5 marks]**
 - ii. 'Basically the Gini coefficient and the Lorenz curve complement each other defining inequality' Demonstrate. **[5 marks]**
3. What is the difference between the following pair of public finance concepts.
 - (a) revenues and public receipts **[5 marks]**
 - (b) Direct and indirect taxes **[5 marks]**
 - (c) Royalty and a dividend **[5 marks]**

Section B (Answer two questions in this section)

3. There are subtle variations in the budget cycle from one economy to the other. With reference to an economy of your own choice demonstrates how a system of accountability and checks and balances is in built in the budget cycle. **[20 marks]**

4. Critically discuss the notion that a government is a necessary parasite. **[20 marks]**
5. (a) Sometimes the market may fail, and this is known as market failure. Demonstrate how a government may intervene to redress this anomaly. **[10 marks]**

(b) A budget deficit cannot be described as good or bad. Explain this statement using practical examples. **[10 marks]**
6. Critically review various methods used to appraise government project **[20 marks]**
7. Taxation is a major source of government revenues in Africa. Discuss the pros and cons of this source of funding. Suggest practical viable alternatives to taxation. **[20 marks]**
8. You are an officer from the Comptroller Auditor General's department, and you have been asked to make a presentation on government budgetary authority. Prepare detailed notes on this subject ensuring that you explain the different uses of each. **[20 marks]**

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